

105 port subject to her unrestricted sovereignty. In spite of these difficulties, which placed her at a serious disadvantage as compared with Estonia and Latvia, the success of Lithuania in organizing the country commercially, developing agricultural production, and finding foreign markets for dairy produce has been remarkable.

Nor are the problems of external and internal policy by any means identical in the three countries. But there are certain factors in the situation of all three of them which tend to link them together—in the minds of the outside world at any rate, and to some extent even in their own.

105 The three Baltic States were all until recently part of the Russian
148 Empire. They form, in effect, although Lithuania has no common
131 frontier with the Soviet Union, a buffer between Germany and Russia. As such, they are as much the potential battle-field for a clash between these two great ideological protagonists as they are the potential victims of agreement between them for their partition. Geographically, they occupy the seaboard and cover a territory which in the past were regarded in Germany as a natural field for trade and colonization, and in Russia as an essential, if not a vital, outlet to the Baltic Sea. After the War, the Revolution, and the attainment of independence by the three States, the Soviet Union's Baltic seaboard was reduced to less than one hundred miles at the head of the Gulf of Finland, and the natural lines of communication from central Russia to the sea-ports of Tallinn (Reval), Paldiski (Baltic Port), Riga, and Liepāja (Libau) were blocked by the new frontiers.

Their geographical position has also exposed them to propaganda in favour of the political doctrines of their neighbours. In the immediate post-war period Bolshevism contributed the principal source of anxiety; Germany at that time was still weakened by defeat. From 1933 onwards a new preoccupation in the form of National-Socialism came upon them from the West. Thus, in the political sphere their perpetual lot seems to be the steering of a difficult course between Scylla and Charybdis.

105 In the economic sphere also Estonia, Latvia, and Lithuania share many problems in common; the dislocation caused by the War and the Soviet Revolution, by the agrarian reform and the loss of former markets and their natural hinterland in Russia and Poland across the new frontiers, has borne heavily upon them; all three States have populations predominantly engaged in agriculture; all have striven hard to intensify agrarian production, discover new markets, and
● [474] develop their industry. Co-operative organization, especially as regards agriculture, is an outstanding feature in all three countries, and has played an important part in the development of production; shortage of capital has equally been a cause of retarding it.

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particularly noticeable where the larger estates of the Baltic Barons had been split up—chiefly in Estonia and Latvia. Here, for example, farm buildings were often separated by the redistribution from the land which they had formerly served. Moreover, an entirely new class of landowners was called into being. These new small-holders were often ignorant of scientific agricultural methods, and were nearly always without means. It can therefore be seen that a whole series of problems was created by the reforms, which, throughout the period, it was the chief objective of agricultural policy to solve. The solution was found largely in the extension of the co-operative system.

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Before the War there were numerous agricultural societies in existence in Estonia, Courland, and Livonia, and to a smaller extent in Lithuania. The idea, therefore, was not new. What was new was the notion that the pre-War agricultural associations could be developed to the point where they became the central pivot of the entire agricultural organization. The pre-War functions of these societies had been to organize savings banks, to purchase machinery for the use of members, to promote the use of artificial fertilizers, to pay for instructors, and not least to deal on the co-operative system in dairy produce. The last-named activity was, of course, essentially suited to the new conditions after the War, which had created a large number of small-holders, and it is in this direction that the development of the co-operative system was most remarkable.

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Estonia. Co-operation developed in Estonia less during this period, perhaps, than in the other two countries, except as regards dairy farming. However, co-operative dairies increased from 60 in 1918 to 331 in 1929, and the two co-operative marketing associations soon succeeded in obtaining a market for Estonian butter abroad. Much encouragement was given by the Government, particularly as regards grading; and, by the end of the period, between 60 and 70 per cent. of Estonia's exports of butter was in the hands of these two societies. There was also a considerable extension of co-operative buying abroad,¹ mainly of agricultural machinery resold by the retail societies, while the number of societies which were formed to enable members to obtain the use of agricultural machinery increased from 28 in 1914 to about 800 in 1929. In addition, the co-operative system greatly aided the production and export of bacon, eggs, and potatoes. On the whole, however, Estonia left development rather more to the State and to individual enterprise than did Latvia or Lithuania.

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Latvia. As in Estonia, the co-operative system of Latvia had been

¹ Through the Estonian Co-operative Wholesale Society, known as the E.T.K.

Latvia. ^{Latvia} ^{Lithuania} As in Estonia, The co-operative system of Latvia had been 474 ●
 somewhat highly developed before the War. However, the dis-
 organization caused by the War and the inflation made a fresh start
 necessary. There was a rapid increase of consumers' co-operatives
 in 1920 and 1921, followed rather later by a similar increase in
 co-operative credit societies and co-operative dairies. On the whole,
 development was rather uneven, owing to the enormous demand for
 agricultural machinery, seed, and plant resulting from the devasta-
 tion of the War; but a large group was soon evolved which was
 known as *Konsums*. This group lent money on the security of land,
 supplied farmers on credit with agricultural and dairy machinery
 and artificial manure, and was at one period commissioned by the
 Government to buy grain and flax for export purposes. Apart from [234]
 the expansion of *Konsums* during these years the most notable
 feature was the growth of co-operative dairies, which by the end of
 the period numbered more than 400, with a total membership of
 more than 20,000.

Lithuania. The growth of co-operation in Lithuania was rather 474
 greater, and the field covered rather wider, than in the other two 439
 countries. This may perhaps be explained by the almost entire
 absence of any financial organization in Lithuania immediately after
 the War, which was not the case in the other countries. The growth
 of co-operation was very rapid, and by the end of 1927 there were
 no less than 2,089 co-operatives in existence, 640 of which were
 consumers' societies, 473 dairy co-operatives, and 587 credit co-
 operatives. The export of Lithuanian butter on the scale achieved
 during this period would probably never have become possible
 without the assistance of the *Pienocentras* co-operative organiza-
 tion. The same may be said of the export of bacon and live stock
 which was effected through *Maistas*, an organization controlled by
 the agricultural co-operatives' union (*Lietukis*) and the Farmers'
 Union, both agricultural co-operatives which, in addition to fostering
 pig-breeding, supply the farmers with fertilizers, seeds, and agri-
 cultural machinery.

2. AGRICULTURE

(i) Cereals.

The area under cereals was comparatively small except in Lithuania. 243
 During 1928-30 the average annual percentage of the total area 311
 under rye, oats, barley, wheat, and mealin was 10.5 for Estonia,
 12.9 for Latvia, and 23.0 for Lithuania, but a proportionately larger
 area of Estonia and Latvia is covered by forest. However, both
 Estonia and Latvia were regularly compelled to import large quanti-
 ties of grain during the period, chiefly rye, while Lithuania normally
 had a surplus for export.

States were only just beginning to recover from the effect of these²³¹
circumstances.²²⁷

The Baltic States grow nearly all the fodder required for their²³²
cattle themselves. This consists largely of hay and mixed crops²⁴⁶
(meslin); as was seen, a large part of the total area of each country
is pasture land. Roots were not often fed to cattle during the period.
Great attention was paid to breeding by all three States, a subject
which had not received much notice during the Russian period. In
Latvia, for example, there were by 1928 over 500 associations formed
for this purpose, and several hundred stud stations, most of which
were assisted financially by Government departments, while imports
of cattle for breeding purposes were a regular feature in the trade
balance of all three countries.

There are comparatively few establishments exclusively devoted²³⁴
to dairy farming except for certain farms run directly by the co-⁴⁷⁴ ●
operatives and the State. For the most part, the cattle are owned
by individual peasants who deliver the milk to the co-operative
dairies or bring their cattle to be milked. From this stage onwards
dairy farming was developed during the period into a highly organ-
ized process, controlled largely, as was seen, by the co-operative
system. This was not entirely a new thing in Estonia and Latvia,
which before the War had supplied the Russian market, a substitute
being found during this period in Great Britain. In Lithuania,
however, it was an almost complete innovation.

The progress of dairy farming is illustrated by the following table:

TABLE 20. *Butter and Milk Production*

	Butter Production in metric tons (000's omitted) (Creamery or factory butter only)			Milk Production in hectolitres (000's omitted)		
	Estonia	Latvia	Lithuania*	Estonia	Latvia	Lithuania†
1925	7.2	7.9	0.3	4,823	†	93
1926	9.7	11.2	1.0	5,880	†	251
1927	10.9	12.0	1.3	6,118	†	312
1928	12.2	14.3	1.6	6,387	†	397
1929	13.7	17.0	3.1	6,334	12,650	725
1930	15.5	20.8	6.4	7,374	13,143	1,512

* Co-operative creameries only.

† Figures not available.

‡ Milk delivered to dairies or factories.

A large proportion of the total production of butter is exported.²³⁴
The exact figure is difficult to ascertain, since complete figures for pro-⁴³⁹
duction are not always available. In Lithuania, during 1930, 6,000
metric tons of the butter manufactured by the dairies included in the
above table, viz. 6,400 metric tons, were exported, the total export of

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Mortgage Credit. In all three countries the Government took steps shortly after the War to provide machinery for granting mortgage loans to farmers and others. The proceeds of the loans were used largely for purchases of stock, plant, and agricultural machinery, and for the reconstruction of buildings destroyed in the War. The Latvian Government established a State Land Bank in 1922 to grant mortgages on agricultural land, and two years later a State Mortgage Bank for financing similar requirements in urban districts. In Estonia the State also formed a Land Bank in 1926 for issuing agricultural mortgage loans and, in 1928,¹ a National Mortgage Bank to take over certain long-term assets of the Central Bank; the new institution also made long-term loans not only to farmers but to industrialists, ship-owners, and co-operative societies, and for house-building, to private persons. The Lithuanian Government formed a Land Bank in 1924 for issuing mortgage loans to farmers. In all these cases the rate of interest charged was high compared with rates in Western Europe.

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Credit Co-operatives and Other Institutions. The application of the co-operative system to agriculture and dairy farming led to a very considerable growth of co-operative credit institutions, especially in rural districts. The ground had been prepared before the War by the growth, chiefly since the beginning of the century, of mutual credit associations, and many of these were absorbed in the new credit co-operatives, though there still exists a substantial number of mutual credit societies in the Baltic States. Though the number of institutions is large, the individual credit co-operative is small, but in Estonia and Lithuania means were provided for helping the smaller institutions, as well as the large, by the foundation with State assistance of a co-operative central bank. There is still a small number of municipal banks in Estonia and Latvia. These institutions originated in Tsarist days with the municipal banks, whose liabilities were guaranteed by the municipality.

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Insurance. In Latvia the number of insurance concerns is large; there were in 1935 about 470² institutions, though most of these were small local businesses. Most of the larger risks insured relate to shipping and foreign trade. There is also a State insurance department which apparently competes with the ordinary commercial concerns.³ Foreign insurance businesses are not allowed to operate in Latvia. There is a considerable insurance business in Estonia but less highly developed than in Latvia. That of Lithuania is still less developed, though foreign, chiefly German, capital here played some part during the period.

¹ See above, p. 133.

² D.O.T.: *Economic Conditions in Latvia, January 1935*, publ. 1935, p. 7.

³ For later developments, see below, p. 185, footnote 3.

The Lesson of the Baltics

229

foreigners (changing their names, if necessary) vote, rep-000 resent, and rule.

Thus the inhabitants of the Baltic states became Soviet 641 citizens. In the eyes of the new authorities this mass of 461 people, who were so well off that they put the rest of the Union to shame, represented a scandalous relic of the past. They had to be educated. Prisons filled and, shortly, certain categories of citizens began to be deported to work camps, mines, and collective farms at the other end of Russia, chiefly in the polar regions. In 1941 the entire area was invaded by the German army. The Nazis, in turn, started to kill off that category of the population which their ideology classified as undesirable, namely the Jews, irrespective of age, sex, or class. To that task they applied their usual precision. At the same time they exported to the Reich a large number of forcibly enlisted workers.

In 1944 the Baltic states were recaptured by the Red 423 Army and the Center set out to assimilate this area into 474 the Union. The most urgent task was the destruction of 669 the existing and wealthy farming economy. Collectivization met with considerable obstacles, however. The usual method, that of "intensifying the class struggle in the village," which speculates upon the antagonism between rich and poor farmers, had feeble results. Training in partisan units, together with the large number of arms left from war-time operations, encouraged opposition. Peasants fled to the woods and formed bands. In reprisal, disciplinary expeditions surrounded villages and killed those who had remained at home. This merely increased the opposition; for whole villages, including women and children, often preferred to join the partisans rather than expose themselves to the danger of being taken hostage.

The hostile attitude of these people forced those in 661 power to resort to radical measures. Big man-hunts were